

**OMEGA HEALTHCARE INVESTORS, INC.**  
**FUNDS FROM OPERATIONS**  
**Unaudited**  
**(In thousands, except per share amounts)**

	<b>Three Months Ended September 30, 2017</b>
<b>Net loss</b> .....	\$ (137,515)
Deduct gain from real estate dispositions .....	(693)
Sub-total.....	\$ (138,208)
Elimination of non-cash items included in net income:.....	
Depreciation and amortization.....	71,925
Depreciation - unconsolidated joint venture .....	1,657
Add back non-cash provision for impairments on real estate properties.....	17,837
<b>Funds from operations</b> .....	<b>\$ (46,789)</b>
Weighted-average common shares outstanding, basic.....	197,890
Restricted stock and PRSUs.....	-
OP units.....	8,772
Weighted-average common shares outstanding, diluted.....	206,662
 <b>Funds from operations per share</b> .....	 <b>\$ (0.2364)</b>
 <b>Adjusted funds from operations:</b> .....	
Funds from operations.....	\$ (46,789)
Add back non-cash impairment on direct financing leases.....	194,659
Add back non-cash provision for uncollectible accounts.....	11,899
Add back stock-based compensation expense.....	3,872
<b>Adjusted funds from operations</b> .....	<b>\$ 163,641</b>
 <b>Adjusted funds from operations per share</b> .....	 <b>\$ 0.7918</b>

Funds From Operations (“FFO”), Adjusted FFO and Funds Available for Distribution (“FAD”) are non-GAAP financial measures. For purposes of the Securities and Exchange Commission’s Regulation G, a non-GAAP financial measure is a numerical measure of a company’s historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable financial measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows (or equivalent statements) of the company, or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable financial measure so calculated and presented. GAAP refers to generally accepted accounting principles in the United States of America. Pursuant to the requirements of Regulation G, the Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

The Company calculates and reports FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts (“NAREIT”), and consequently, FFO is defined as net income (computed in accordance with GAAP), adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairments on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The Company believes that FFO, Adjusted FFO and FAD are important supplemental measures of its operating performance. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. FFO described herein is not necessarily comparable to FFO of other real estate investment trusts, or REITs, that do not use the same definition or implementation guidelines or interpret the standards differently from the Company.

Adjusted FFO is calculated as FFO available to common stockholders excluding the impact of non-cash stock-based compensation and certain revenue and expense items identified above. FAD is calculated as Adjusted FFO less non-cash interest expense and non-cash revenue, such as straight-line rent. The Company believes these measures provide an enhanced measure of the operating performance of the Company’s core portfolio as a REIT. The Company’s computation of adjusted FFO and FAD are not comparable to the NAREIT definition of FFO or to similar measures reported by other REITs, but the Company believes that they are appropriate measures for this Company.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, gain or loss on asset sales-net, provisions for impairment and certain non-recurring revenues and expenses.

The Company uses these non-GAAP measures among the criteria to measure the operating performance of its business. The Company also uses Adjusted FFO among the performance metrics for performance-based compensation of officers. The Company further believes that by excluding the effect of depreciation, amortization, impairments on real estate assets and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and between other REITs. The Company offers these measures to assist the users of its financial statements in analyzing its operating performance and not as measures of liquidity or cash flow. These non-GAAP measures are not measures of financial performance under GAAP and should not be considered as measures of liquidity, alternatives to net income or indicators of any other performance measure determined in accordance with GAAP. Investors and potential investors in the Company’s securities should not rely on these non-GAAP measures as substitutes for any GAAP measure, including net income.

Our ratios of Funded Debt to adjusted annualized EBITDA and Funded Debt to adjusted pro forma annualized EBITDA as of September 30, 2017 were 5.46x and 5.08x, respectively. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA eliminates items such as acquisition costs and stock-based compensation expense and adds back certain non-cash expenses, if any, to EBITDA. Adjusted pro forma EBITDA adds to adjusted EBITDA the incremental EBITDA from (i) new investments made during the 3rd quarter assuming an July 1 purchase date and (ii) inception to date funding of construction in progress multiplied by the estimated contractual quarterly yield assuming an July 1 in-service date. EBITDA, adjusted EBITDA, adjusted pro forma EBITDA and related ratios are non-GAAP financial measures. Annualized EBITDA, adjusted annualized EBITDA and adjusted pro forma annualized EBITDA assume the current quarter results multiplied by four, and are not projections of future performance. Below is the reconciliation of EBITDA and adjusted EBITDA to net income.

**OMEGA HEALTHCARE INVESTORS, INC.**  
**EBITDA RECONCILIATION AND**  
**FUNDED DEBT COVERAGE RATIO CALCULATION**  
**Unaudited**  
**(In thousands)**

	<u>Three Months Ended</u> <u>September 30, 2017</u>
Net loss.....	\$ (137,515)
Depreciation and amortization.....	71,925
Depreciation - unconsolidated joint venture .....	1,657
Interest - net.....	49,607
Income taxes.....	999
EBITDA.....	<u>\$ (13,327)</u>
Deduct gain on assets sold - net .....	(693)
Deduct foreign currency gain.....	(95)
Add back non-cash impairment on direct financing leases.....	194,659
Add back non-cash provision for uncollectible accounts.....	11,899
Add back non-cash provision for impairments on real estate properties.....	17,837
Add back stock-based compensation expense.....	3,872
Adjusted EBITDA.....	<u>\$ 214,152</u>
Add incremental pro forma EBITDA from new investments in 3rd Quarter .....	4,003 <sup>(1)</sup>
Add incremental pro forma EBITDA from construction in progress through 3rd Quarter.....	3,704 <sup>(1)</sup>
Add incremental revenue/EBITDA from Orianna .....	8,000 <sup>(2)</sup>
Adjusted pro forma EBITDA.....	<u><u>\$ 229,859</u></u>
<b>DEBT</b>	
Revolving line of credit.....	\$ 365,000
Term loans.....	908,980
Secured borrowings .....	53,992
Unsecured borrowings.....	3,371,500
FMV adjustment of assumption of debt .....	403
Premium/(discount) on unsecured borrowings - net.....	(22,112)
Deferred financing costs - net.....	(33,235)
Total debt.....	<u>\$ 4,644,528</u>
Deduct balance sheet cash and cash equivalents.....	(24,318)
Net total debt.....	<u>\$ 4,620,210</u>
Deduct FMV adjustment for assumption of debt .....	(403)
Add back discount (deduct premium) on unsecured borrowings - net.....	22,112
Add back deferred financing costs - net.....	33,235
Adjusted total debt (aka Funded Debt).....	<u><u>\$ 4,675,154</u></u>
<b>Funded Debt / adjusted annualized EBITDA .....</b>	<u><u>5.46 x</u></u>
<b>Funded Debt / adjusted pro forma annualized EBITDA.....</b>	<u><u>5.08 x</u></u>

(1) Used to calculate leverage only

(2) Placed Orianna on a cash basis and recorded no revenue in the three months ended September 30, 2017. Anticipate annual contractual rent will likely be in a range of \$32M to \$38M once the Orianna transition is complete. The low end of the range was used in the adjusted pro forma EBITDA calculation.

Our adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of September 30, 2017 were 4.3x and 4.2x, respectively. Fixed charge coverage is the ratio determined by dividing EBITDA by our fixed charges. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA eliminates items such as acquisition costs and stock-based compensation expense and adds back certain non-cash expenses, if any, to EBITDA.

Fixed charges consist of interest expense, amortization of other non-cash interest charges, amortization of deferred financing costs and refinancing costs. EBITDA, adjusted EBITDA and interest expense ratio are non-GAAP measures. Below is the reconciliation of EBITDA to net income.

**OMEGA HEALTHCARE INVESTORS, INC.**  
**EBITDA RECONCILIATION AND**  
**FIXED CHARGE AND INTEREST COVERAGE RATIO CALCULATION**  
**Unaudited**  
**(In thousands)**

	<b>Three Months Ended September 30, 2017</b>
Net loss.....	\$ (137,515)
Depreciation and amortization.....	71,925
Depreciation - unconsolidated joint venture .....	1,657
Interest -net.....	49,607
Income taxes.....	999
EBITDA.....	<u>\$ (13,327)</u>
Deduct gain on assets sold - net.....	(693)
Deduct foreign currency gain.....	(95)
Add back non-cash impairment on direct financing leases.....	194,659
Add back non-cash provision for uncollectible accounts.....	11,899
Add back non-cash provision for impairments on real estate properties.....	17,837
Add back stock-based compensation expense.....	3,872
Adjusted EBITDA.....	<u><u>\$ 214,152</u></u>
 <b>FIXED CHARGES</b>	
Interest expense.....	\$ 47,379
Amortization of non-cash deferred financing charges.....	2,228
Refinancing costs.....	-
Total interest expense.....	<u>\$ 49,607</u>
Add back: capitalized interest.....	1,972
Less: refinancing charges.....	-
Total fixed charges.....	<u><u>\$ 51,579</u></u>
 <b>Adjusted EBITDA / total interest expense ratio.....</b>	 <b><u><u>4.3 x</u></u></b>
<b>Adjusted EBITDA / fixed charge coverage ratio.....</b>	<b><u><u>4.2 x</u></u></b>

**Note: Placed Orianna on a cash basis and recorded no revenue in the three months ended September 30, 2017. Anticipate annual contractual rent will likely be in a range of \$32M to \$38M once the Orianna transition is complete.**

**OMEGA HEALTHCARE INVESTORS, INC.**  
**FUNDS AVAILABLE FOR DISTRIBUTION**

Unaudited

(In thousands, except per share amounts)

	<b>Three Months Ended September 30, 2017</b>
<b>Net loss</b> .....	\$ (137,515)
Deduct gain on assets sold - net.....	(693)
Sub-total.....	\$ (138,208)
Elimination of non-cash items included in net income:.....	
Depreciation and Amortization.....	71,925
Depreciation - unconsolidated joint venture .....	1,657
Add back non-cash provision for impairments on real estate properties.....	17,837
<b>Funds from operations</b> .....	\$ (46,789)
<b>Adjustments:</b> .....	
Add back non-cash impairment on direct financing leases.....	194,659
Add back non-cash provision for uncollectible accounts.....	11,899
Add back stock-based compensation expense.....	3,872
<b>Adjusted funds from operations</b> .....	\$ 163,641
<b>Adjustments:</b> .....	
Non-cash interest expense.....	2,200
Capitalized interest .....	(1,972)
Non-cash revenues .....	(13,314)
<b>Funds available for distribution (FAD)</b> .....	<u>\$ 150,555</u>
Weighted-average common shares outstanding, basic.....	197,890
Restricted stock and PRSUs.....	-
OP units.....	8,772
Weighted-average common shares outstanding, diluted .....	<u>206,662</u>
<b>FAD per share, diluted</b> .....	<u>\$ 0.7285</u>

Percentages of adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at September 30, 2017 were 54.4% and 41.6%, respectively. Adjusted total debt is total debt plus the discount or less the premium derived from the sale of unsecured borrowings, deferred financing costs (net) and fair market value adjustment of assumed debt. Adjusted book capitalization is defined as adjusted total debt plus stockholders' equity and noncontrolling interest. Adjusted total debt, adjusted book capitalization and related ratios are non-GAAP financial measures. Total market capitalization is the total market value of our securities as of September 30, 2017 plus adjusted total debt.

**OMEGA HEALTHCARE INVESTORS, INC.**  
**BOOK AND MARKET CAPITALIZATION RATIO CALCULATIONS**

**Unaudited**  
**(In thousands)**

		<b>At</b>
		<b>September 30, 2017</b>
Revolving line of credit.....	\$	365,000
Term loans.....		908,980
Secured borrowings.....		53,992
Unsecured borrowings.....		3,371,500
FMV adjustment of assumption of debt .....		403
Premium/(discount) unsecured borrowings (net).....		(22,112)
Deferred financing costs (net).....		(33,235)
Total debt.....	\$	4,644,528
Deduct FMV adjustment of assumption of debt .....		(403)
Add back discount (deduct premium) on unsecured borrowings (net).....		22,112
Add back deferred financing costs (net).....		33,235
<b>Adjusted total debt.....</b>	<b>\$</b>	<b>4,699,472</b>
 <b>BOOK CAPITALIZATION.....</b>		
Adjusted total debt.....	\$	4,699,472
Omega stockholders' equity.....		3,606,828
Noncontrolling interest .....		336,011
<b>Adjusted book capitalization.....</b>	<b>\$</b>	<b>8,642,311</b>
 <b>MARKET CAPITALIZATION.....</b>		
Omega common shares and OP units outstanding at 9/30/2017.....		206,837
Market price of common stock at 9/30/2017.....	\$	31.91
Market capitalization of common stock at 9/30/2017.....		6,600,169
Market capitalization of publicly traded securities.....		6,600,169
Add adjusted total debt.....		4,699,472
<b>Total market capitalization.....</b>	<b>\$</b>	<b>11,299,641</b>
 <b>Adjusted total debt / adjusted book capitalization.....</b>		
		<b>54.4%</b>
 <b>Adjusted total debt / total market capitalization.....</b>		
		<b>41.6%</b>

## 2017 ADJUSTED FFO GUIDANCE REVISED

Bob Stephenson, Omega's CFO commented, "We are lowering our 2017 guidance to reflect the temporary loss of third and fourth quarter 2017 revenue primarily related to placing Orianna and a non-top ten operator on a cash basis."

The Company revised guidance for 2017 Adjusted FFO is now \$3.27 to \$3.28 per diluted share. The following table presents a reconciliation of Omega's guidance regarding Adjusted FFO to projected GAAP earnings.

	<b>2017 Annual Adjusted FFO Guidance Range (per diluted common share)</b>
	<b>Full Year</b>
Net Income	\$0.62- \$0.63
Depreciation	1.37
Gain on assets sold	(0.04)
Real estate impairment	0.17
<b>FFO</b>	<b>\$2.12 - \$2.13</b>
Adjustments:	
Provision for impairment on direct financing leases	0.96
Provision for uncollectible accounts	0.07
Contractual settlement	(0.05)
Acquisition/transaction costs	0.00
Interest – refinancing costs	0.11
Other revenue	(0.01)
Stock-based compensation expense	0.07
<b>Adjusted FFO</b>	<b>\$3.27 - \$3.28</b>

*Note: All per share numbers rounded to 2 decimals.*

The Company's Adjusted FFO guidance for 2017 includes approximately \$459 million of actual new investments completed to date; however, it excludes the impact of potential additional new investments. It assumes the Company will not be recording revenue related to its Orianna portfolio for the fourth quarter of 2017. It also excludes the impact of gains and losses from the sale of assets, revenue from divestitures, certain revenue and expense items, interest refinancing expense, capital transactions, acquisition costs and additional provision for uncollectible accounts. The Company may, from time to time, update its publicly announced Adjusted FFO guidance, but it is not obligated to do so.

The Company's guidance is based on a number of assumptions, which are subject to change and many of which are outside the Company's control. If actual results vary from these assumptions, the Company's expectations may change. Without limiting the generality of the foregoing, the timing and completion of acquisitions, divestitures, capital and financing transactions, and variations in stock-based compensation expense may cause actual results to vary materially from our current expectations. There can be no assurance that the Company will achieve its projected results.